

CHAPTER THREE

‘As many touchdowns as you want’: Headquarters and the regional offices

Mountains and prairie. Oceans and deserts. Freezing temperatures and burning heat. The rural cooperative formed by neighbors and the big city filled with strangers. Worries over not enough power to run medical equipment, but plenty for empty skyscrapers to burn their lights all night, every night. Western Area Power Administration’s service territory is a 15-state area full of contrasts, all bound by electricity.

To address the needs of different power customers in the West’s diverse regions, the agency depends on four regional offices and a network of merchants, operations and maintenance facilities. At the center of this power marketing panoply is Western’s Corporate Services Office in suburban Lakewood, Colo.

Like other aspects of the agency’s foundation, Western’s area/regional office framework evolved from a blueprint created by Reclamation during its authority over Federal power in the West. For Western, the nature of this system has often fostered internal competition and periods of disagreement between headquarters and the regional outposts. Despite occasional episodes of friction, the area—and later regional—office system and headquarters have worked together to ensure Western’s survival when outside forces threatened the agency’s existence.

Go with the Status Quo

As word of a new power agency in the West made its way from Washington, long-time power customers wondered if the functions of the just-minted power marketing administration would be that much different from Reclamation’s. Individual expressions of curiosity soon became public declarations of uncertainty after President Carter signed the Department of Energy Act during the first week of August 1977. Two weeks later in Denver, on Aug. 18, about 85 Reclamation power customers passed a resolution seeking to “maintain the status quo” regarding rates, service and regional offices.

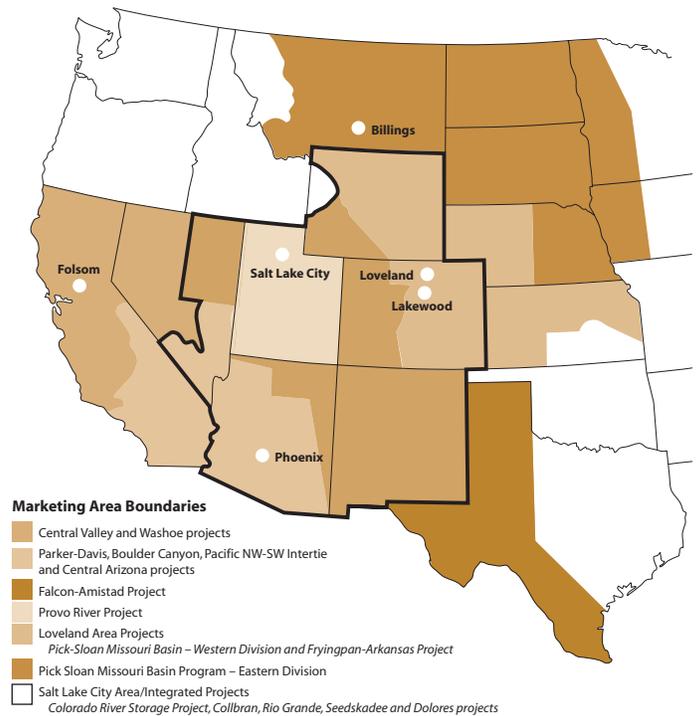
CUSTOMER SERVICE TERRITORIES



PROJECT MARKETING AREAS

Familiar ways were comfortable, but there was always room for improvement. Fred Simonton, executive director of the Mid-West Electric Consumers Association customer group, counseled that the new Federal authority should try to forge better relationships with its customers: “The closer this function is to the people being served, the better.”¹

Western’s incoming managers agreed that the best way to manage more than a million square miles was to duplicate much of the Reclamation model. In October 1977, during its first month of operations, an administrative review advocated: “The Western Area Power Administration will be comprised of sev-



eral definite regions having many different river basins as resources and several Federal power systems. Therefore, it will be necessary for Area Offices of the Western Area Power Administration to have greater authority for action than has been true of other power administrations.”²

An established PMA like Bonneville had the luxury of one major generation system: legislation dealing with a single project on the Columbia River and a comparatively compact service territory. Besides binding a diverse, far-flung mass into a cohesive unit, Western’s leadership faced the physical and political quirks of various projects in different river systems, in addition to project-specific marketing plans and calculating the varying repayment costs of discrete water and power projects. However inescapable those challenges, management did not lament the job at hand. One memo commented: “Uniformity within the Western Area Power Administration is a desirable goal within the practical limits of the different operating conditions. However, forced uniformity of factors that are basically different can result in inefficiency and undesirable regulations for the sake of regulations.”³

What to call each area office was another question. In January 1978, Conrad Miller, then acting area manager in Billings, wrote to Western Administrator Robert McPhail, “any chance of confusion by the public of WAPA area offices and USBR regions should be avoided.” He recommended Western copy the Bonneville model and adopt the name of the city for its area and district offices.⁴

Within 60 days of Miller’s letter, McPhail approved an internal organization plan for the Headquarters office, designated five area offices (Denver, Billings, Sacramento, Salt Lake City and Boulder City, Nevada) and subordinate district offices. Six months later, in September 1978, management implemented an organizational structure comprised of nearly a thousand employees. Three branches—Engineering, Power Management, Operation and Maintenance—formed the top level of senior management at the Golden Headquarters reporting directly to the administrator. In addition, an Office of General Counsel reported directly to the administrator.⁵



Robert McPhail was Western’s first Administrator and led the effort to create a new agency.

The Department of Energy was slow to support regionalism within Western. Initially, many of the Department's senior managers openly favored running the activities of each PMA out of Washington. This group included George McIsaac, the Department's assistant secretary for resource applications. McIsaac was DOE's presence in Western's affairs during the first year of the agency's existence. By his first major policy speech in May 1978, customer demands for regionalism changed McIsaac's stance: "We (DOE) recognize that people in the Missouri Basin and in the lower Colorado Basin need representatives of the Administration in their service area—people who know them, understand them and are ready to serve them."⁶

Veteran Western Senior Manager Victoria Ponce said that Western's state of semi-autonomy under the DOE had its advantages. Almost from the outset, Western's managers shifted or recreated the organizational chart. The agency's first attempt at remodeling came in 1978 when Western disbanded the Casper District Office inherited from Reclamation. Two years later, while Western's administrative staff remained in Golden, the Denver Area Office moved to Fort Collins, Colo., and became the Loveland-Fort Collins Area Office. After a move to a new facility in 1984, Loveland-Fort Collins became the Loveland Area Office. In 1990, the Boulder City Office relocated to Phoenix, Ariz. Half a decade later, in 1995, the Sacramento Office moved to nearby Folsom, Calif.

The most dramatic reconfiguration resulted from the mid-1990s Transformation makeover, when senior managers revamped the five area offices into four renamed regional offices and a management center. The aftermath of Transformation also brought a new division of duties between the new Corporate Services Office (formerly Headquarters) and the regions. Post-Transformation, the CSO staff would design new construction, consolidate Western's budget and manage other support functions while the regions assumed responsibility for power marketing, rate studies, customer billing and management of power contracts. Regional employees also continued to operate and maintain the power system and design small construction projects.

Despite changes in address and authorities, one standby over the years was Golden, Colo., as the center of Western's administrative universe. Eventually, time and money also brought changes to that constant.

WESTERN AREA POWER ADMINISTRATION ORGANIZATION CHART

OFFICE of the ADMINISTRATOR

ADMINISTRATOR ————— OFFICE of GENERAL COUNSEL
DEPUTY ADMINISTRATOR

DIVISION of ENGINEERING
Assistant Administrator

**DIVISION of POWER MANAGEMENT
and OPERATION and MAINTENANCE**
Assistant Administrator

DIVISION of MANAGEMENT SERVICES
Assistant Administrator

**BILLINGS
AREA OFFICE**

Waterton Operations Office
Bismarck District Office
Huron District Office
Ft. Peck District Office

**DENVER
AREA OFFICE**

Loveland District Office

**SALT LAKE CITY
AREA OFFICE**

Montrose District Office

**BOULDER CITY
AREA OFFICE**

Phoenix District Office

**SACRAMENTO
AREA OFFICE**

Corporate Services Office – Lakewood, Colorado



Completed in late 1999, the new CSO building in Lakewood, Colo., was dedicated on Feb 12, 2000.

In the last days of December 1999 came a moment two decades in the making. Western moved into a new building in the western Denver suburb of Lakewood. For employees, the new building meant more than a different address; it represented the first time that the majority of Western's headquarters staff was under one roof.

From trailer days to the dedication of the new complex, Western's Headquarters staff spent about 20 years housed in a cluster of buildings scattered around Denver West Office Park in Golden, Colo. It was there that Western overcame growing pains like the energy crisis, completed accomplishments like COTP and adapted to changes in the utility industry. For half that period, the agency's guiding hand through those and a dozen other minefields was William "Bill" Clagett.

Clagett joined Western as deputy administrator in 1978 after spending seven years as Bonneville's assistant administrator in its Washington, D.C. office. Having grown up in the shadow of Grand Coulee Dam in Washington, Clagett spent his entire 33-year Federal career in power. Looking back on his decision to leave the oldest power

administration to join the newest, Clagett explained he saw an opportunity to participate in something original: "At the time, (1977-78) as far as DOE was concerned, the power administrations didn't really exist, as other stuff was so much more important. So it was up to Bob (McPhail) and the people who worked for him, including me, to put together an organization that we hoped would stand the test of time."⁷

Clagett assumed the administrator's job in June 1985 after McPhail retired from Federal service. Clagett noted that McPhail's managerial style reflected the type of organization Western was during its early years: "I thought McPhail was so good at trying to come up with family kinds of decisions. That was very important in the early days. If you're part of WAPA, or if you're a WAPA customer, you're part of a family, which meant we were all expected to work together—have differences just like a family, but still we're all in this together."⁸

Like all families, Western has had its arguments over the dinner table. During the first few months of its existence, the area offices competed over employees transferring from Reclamation. Peter Ungerman, as head of the Loveland-Fort Collins Area Office, recalled, "I was right in the middle of it, so I'm not throwing rocks. It was kind of tumultuous in those days. We had to compete for people. If you were kind of laying back, you weren't going home with anyone."⁹

Another event that still inspires a wave of nostalgic dread among Western's first generation of senior managers is the 1978 "Massacre at Monument." A two-day meeting held at Monument, Colo., and designed by McPhail as a team-building exercise, pitted area managers and headquarters administration into two teams known as "Shirts and Skins." A misunderstanding over the division of authority among DOE in Washington, Western's Golden headquarters and the area offices grew into open hostility as the meeting progressed. Clagett remembered that the discord from that session threatened to turn teamwork into turmoil. "It was a team-building effort that blew up," Clagett reflected. "There was enough tension there because you have enough people who cared

about the organization and cared about its future. Everybody was pushing for his own view of how it ought to work. Bob (McPhail) was steadfast—he believed) field stuff belonged to the field and Headquarters stuff belonged to Headquarters. It took a lot of work to put people back to where they were before the meeting.”¹⁰

The agency survived “Shirts and Skins” to make it to its eighth birthday. When Clagett took over as administrator in 1985, he inherited a maturing agency with big plans to make a name for itself in the power industry. To succeed in the competitive power-marketing world, the new administrator sought to enact a private-sector approach toward the business of a Federal agency. Clagett was convinced that personal accountability would serve as the foundation of this philosophy: “One of the great things about our organization is you can make as many touchdowns as you want. You just put more people on the field with more footballs. The idea that only the administrator can carry the football, or only the assistant administrator or regional administrators can carry the football; if that’s all the players you’re going to put on the field, then that’s all the touchdowns you’re going to make. Unlike some organizations, you make a mistake and all of sudden you’re shut in a corner for the next six months. If you want lots of touchdowns, you’ve got to have experienced people, and they’ve got to experience fixing things as well as making commitments.”¹¹

Clagett added that to make touchdowns, it helped to have a good game plan in the face of an aggressive defense. The inconsistency of a partner involved in Western’s most ambitious endeavor, the California-Oregon Transmission Project, demonstrates the logic of keeping your guard up:

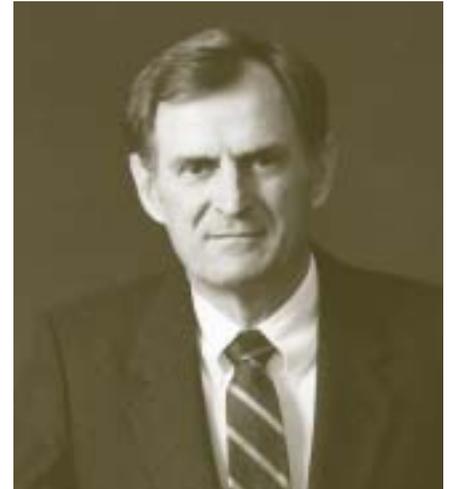
I had a vice president of Southern California Edison trying to build a third AC line into California tell me at a WSCC meeting “Bill, our company needs to make an arrangement on getting that line built. And it might not look like we always appreciate it, but California needs that line. We have to make some noise once and a while, but basically we respect what you’re doing and if it comes down to a difficult situation, we’ll support you.

Okay, six weeks later: a representative from Southern California Edison, same company—different person—was in the Deputy Secretary’s office (at DOE in Washington) trying to get me fired, because I was pushing so hard to get the line built. So, while one guy is telling me that, the organization is planning this guy’s trip to get me ousted.

When asked, “As the head of a Federal agency, how do you react?” “Just smile,” Clagett said. “Because they failed.”¹²

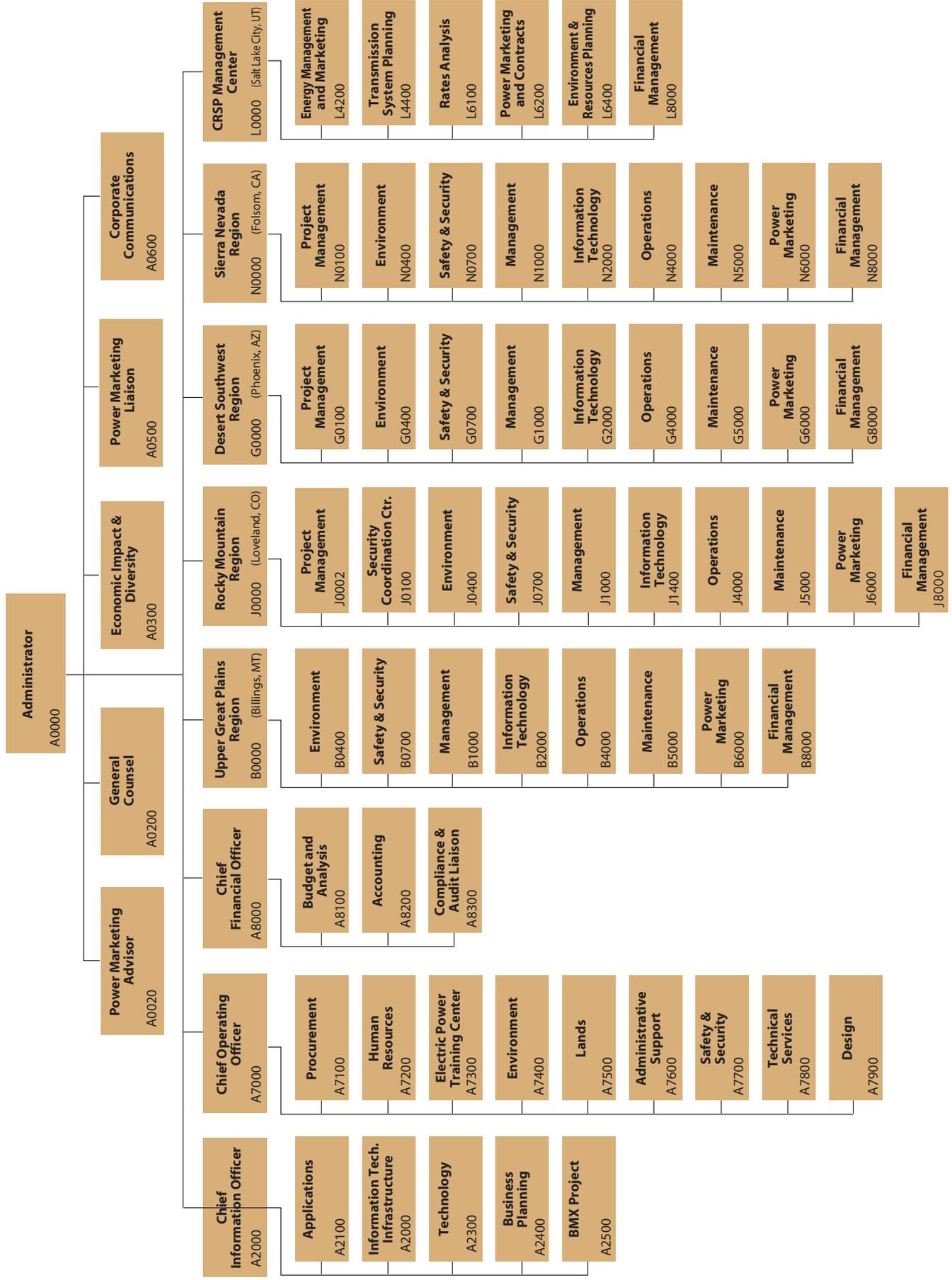
The Flow Chart

Numerous times throughout its history, Western’s headquarters reorganized and added new departments. DOE was responsible for Western’s first major shake-up in 1980. The DOE reorganization resulted in Western adding a conservation officer and an auditor-in-charge to the Administrator’s Office. In turn, Western elevated all branch chiefs to division directors. The agency added other offices as the 1980s progressed, including Washington Liaison, Equal Employment Opportunity and Public Affairs. Later in the decade, Western added an Office of the Assistant to the Administrator for Conservation, Environment and Safety.



William Clagett became Western’s second Administrator in 1985.

WESTERN AREA POWER ADMINISTRATION October 2002



Reflecting the business philosophy driving the Transformation process, in 1996, Headquarters changed its name to the Corporate Services Office. Echoing Western's first organizational matrix, the redesigned CSO features three staff functions—the Chief Program Office, the Chief Financial Office and the Chief Administrative Office. Supplementing them were the offices of General Counsel, Economic Impact and Diversity and Corporate Communications at CSO and the Power Marketing Liaison Office, based at DOE's Headquarters in Washington, D.C.¹³

Western continues to change its organizational structure to meet the agency's changing needs. On April 9, 2000, Western's organization added a Chief Information Office.¹⁴ On Dec. 31, 2001, the Chief Administrative Office and Chief Program Office merged, forming the Program Support Office now called the Chief Operating Office.¹⁵

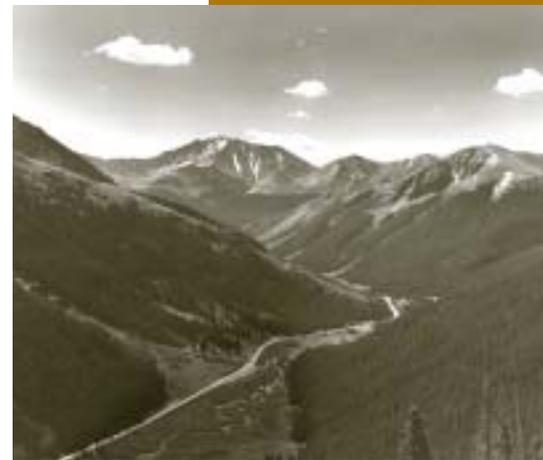
Fifty miles to the north of the CSO is the Rocky Mountain Regional Office. Despite bouts of organizational expansion and contraction during its first few years, Rocky Mountain has earned a reputation as a solid member of Western's regional family.

Rocky Mountain Regional Office – Loveland, Colorado

The *Loveland Reporter-Herald* newspaper once compared Western's presence to an unknown force in its midst: "Many don't know what it does and some don't even know it exists. However, it is the center of such energy and power, it can bring entire communities to their respective knees.

"Not that WAPA would ever do that, of course."¹⁶

Since 1984, the Rocky Mountain Regional Office has sat beside Interstate 25, a few miles east of the city of Loveland, Colo. Between the Rocky Mountains and the high prairie, the office location symbolizes the connection between the high-country snowmelt driving hydropower generation and the end-use customer.¹⁷



Western's Loveland office serves the Rocky Mountain Region. (Photo by Bureau of Reclamation)



Rocky Mountain markets power from several Reclamation-built projects. Power from 20 plants provides about 860 megawatts of capacity to 31 preference customers across eastern Colorado and Wyoming and western Kansas and Nebraska. Rocky Mountain staff operate and maintain nearly 3,500 miles of transmission lines and 79 substations. Pick-Sloan's Eastern and Western divisions share electrical facilities at Yellowtail Dam in Montana and at a point near Gering, Neb.,

but they have separate firm-power allocations and rate structures. Western Division generating resources include five Pick-Sloan units—Boysen, Glendo, Fremont Canyon, Kortes, Pilot Butte and Yellowtail powerplants—and four other Reclamation projects that are integrated with Pick-Sloan for repayment. The Colorado-Big Thompson, Kendrick, North Platte and Shoshone projects include Alcova, Big Thompson, Buffalo Bill, Estes, Flat Iron, Green Mountain, Guernsey, Heart Mountain, Marys Lake, Pole Hill, Seminole, Shoshone and Spirit Mountain powerplants. Reclamation staff operate and maintain all Western Division powerplants. Their combined installed generating capacity is 653 MW.

The remaining major resource under RM domain is the Fryingpan-Arkansas Project in south-central Colorado. Built by Reclamation, this trans-mountain diversion project transports water from the Fryingpan River on the West Slope of the Rocky Mountains to the eastern half of the state to support irrigation, deliver municipal water and provide power generation. Fryingpan-Arkansas consists of six dams, five reservoirs and two generating units with a capacity of 206.¹⁸

The most dramatic marketing change in Rocky Mountain's history came in 1989 when Western combined the Fryingpan-Arkansas Project and the Pick-Sloan Missouri Basin Program—Western Division for marketing and ratesetting purposes into the Loveland Area Projects.

Western works closely with the major public utility in the region—Tri-State Generation and Transmission Association based in Westminster, Colo., to maintain system reliability. In 2001, Western sold Tri-State 857,354 MWh for delivery to more than 700,000 consumers in Colorado, Wyoming, New Mexico and Nebraska. Tri-State is Western's second-largest customer for power and accounts for 44 percent of total power sales in the Rocky Mountain Region.¹⁹

Peter Ungerman was the Loveland Area Office's first area manager from 1978 to 1984. Reclamation left Western a handful of operations offices in Casper and Cheyenne, Wyo., and Denver, Loveland and Fort Collins, Colo. Ungerman remembered many days in the early years occupied with consolidating operations and finding employees. "The Loveland-Fort Collins Area Office started out with a lot of craft people and few management and administrative people. The move to Fort Collins and the consolidation of our operation was necessary to get the area up on its feet."²⁰

After Ungerman's retirement from Federal service in 1984, Mark Silverman ran the Loveland office. Silverman believed that all area office employees should take an active part in the communities where they live and work. "I don't really know why, but my predecessors have maintained a low profile at Western, so many people in the surrounding communities don't even know we are here. We are a large agency with a significant impact on this area, and we want to have people know a little bit more about us."²¹

Over time, the Loveland Area Office worked to strengthen relations with local customer groups. In the early 1980s, the Loveland Area Office developed a coordinated marketing program with what came to be the Rocky Mountain Generation Cooperative and municipal utilities. From that original marketing program, RMGC grew to include Western, Tri-State, Basin Electric Power Cooperative, Wyoming Municipal Power Agency and the Municipal Energy Agency of Nebraska. These organizations pooled their power to increase the efficiency of existing hydro and thermal plants through shaping and storage.

The four owners of coal-fired plants generated thermal energy during off-peak hours and stored that energy in Western's hydro system resources. This storage meant better revenues for the thermal producers during on-peak hours and allowed Western to store energy for the future and avoid buying high-priced energy during low-water years. Members reimbursed the Loveland Office for shaping and storage services and administrative costs.

From the early to mid-1980s, the Loveland Area Office earned more than \$11 million from this partnership. That amount offset project costs and avoided rate increases to customers.²² A later example of customer cooperation began in 1995 when Loveland opened its budget review process

to customers for construction projects scheduled for FY 1996. Customer input and participation led area staff to make their involvement in regional office business decisions an annual occurrence.²³

Late in 1995, a broken flow pump at Reclamation's Flatiron Powerplant in northern Colorado launched a three-way partnership toward a new method of funding repairs. Crews estimated that repairs would take nine months, curtailing water supplies to 23 communities along Colorado's Front Range. The local irrigation authority, the Northern Colorado Water Conservancy District, asked both Reclamation and Western to build a bypass to ensure water in case of emergency.

However, the flow of Federal dollars for maintenance slowed by the mid-1990s. Western and Reclamation officials explained to the water district that they could not get congressional funding to perform the work. Rocky Mountain Region customers took control of the situation by forming Western States Power Corporation to provide nontraditional financing alternatives for operations and maintenance. The first project completed through WSPC funding was a \$1.4 million bypass at Flatiron. Through credits on their power bills, customers contributed \$660,000 to this construction project.

The Western States approach was unique among Westernwide customer partnerships, as other construction projects relied on capital funding, not non-Federal dollars.²⁴ Subsequent funding by Western States included replacing transformers at Estes Powerplant and drawing down and rebuilding Horsetooth Reservoir near Fort Collins, Colo.²⁵

In 1997, Western's Rocky Mountain Region took on another role to help maintain system reliability when it developed and began operating one of four regional security coordination centers in the West. The centers grew from a concern that open access to transmission could degrade the electric grid's reliability. The security coordination centers monitor real-time electric power system conditions to promptly identify and correct potential problems and effectively react to system emergencies.²⁶

Sierra Nevada Regional Office

If California were a nation, it would rank sixth among the countries in the world in agricultural and industrial production. A small but key component within this economic empire is

Western's Sierra Nevada Area Office. Since its beginning in 1978, Sierra Nevada has been a Federal David working with, and occasionally battling, a private-power Goliath—the Pacific Gas and Electric Company—for a place in the California power market.

Sandwiched between Northern California high tech and Southern California glitz, the Central Valley Project is an engineering labyrinth built by the Federal government and integrated with the state's water system. CVP stretches 400 miles long by 45 miles wide. After meeting its primary obligation to deliver irrigation pumping power, CVP's powerplants produce energy electrici-



The Estes Powerplant in Estes Park, Colo., is part of the Big Thompson Project.





Western's Sierra Nevada Region markets power from the Central Valley Project. The water from the project feeds the fertile fields of California's large agriculture industry. (Photo by Bureau of Reclamation)

ty to serve the needs of 650,000 Californians annually. Western's Sierra Nevada Region operates and maintains 1,300 miles of transmission lines serving 73 wholesale power customers within a 175,000-square mile area of northern and central California. Sierra Nevada sells power from Reclamation-operated powerplants: Carr, Folsom, Keswick, New Melones, Nimbus, O'Neill, Shasta, Spring Creek and Trinity and from the Gianelli powerplant operated by the California Department of Water Resources. The regional office also imports power over Western's share of the Pacific Northwest-Pacific Southwest Intertie and the COTP.²⁷

In the 1850s, Anglo settlers first considered irrigating the Central Valley on a grand scale, but development of water resources proceeded slowly. It took another 70 years before the state's leadership considered a comprehensive strategy to direct water throughout the valley. In 1920, Colonel Robert Marshall served as the chief geographer of the U.S. Geological Survey. In a private capacity, he designed a multidam, canal and pumping

plant framework to deliver water from the Sacramento and San Joaquin rivers to Central Valley irrigators. By 1933, the state legislature approved many elements of Marshall's blueprint as part of the state's Central Valley Project Act. However, the Depression hurt bond sales to pay for construction and forced California to seek alternate sources of funding, including assistance from the Federal government.

In 1937, Reclamation began building the Contra Costa Canal, a small step that launched a multidecade partnership between the Federal government and the state of California in the Central Valley. Over the succeeding years, as dams rose and canals cut across the landscape, hydropower developed alongside irrigation. When Western came on the scene in the late 1970s, the CVP included eight powerplants and two pump-generating plants with a total installed capacity of 1,700 megawatts operationally integrated with PG&E.²⁸

A New Player in Town

Western arrived on the scene after four decades of highly publicized CVP construction by Reclamation. Despite a late start, managers in Sacramento sought to create an identity for Western in California. Gordon Estes served as the first manager of the Sacramento Area Office, when the office was formed in 1978. He was succeeded by David Coleman two years later. When Coleman arrived from Reclamation's office in Amarillo, Texas, in 1980, he found the Sacramento staff scattered in five locations around the city. "We had some people in one office, some down the street—it was not accessible," Coleman recalled. He looked at an abandoned building that "the Post Office didn't want anymore. Birds were flying in and out of the roof. I didn't want my people looking outside at bums in the park and no parking. I wanted something for an agency on the move, not going downhill." The Sacramento Office consolidated in a Bell Street building before settling at its present location in Folsom, Calif., in 1995. The new Sierra Nevada Regional Office building is located 25 miles north of Sacramento along the American River Parkway and near the powerplant for which the town is named.²⁹

For employees in Western's Sacramento office, more important than finding a home was establishing a presence among the state's power players. Californians' never-ending demand for power gave Western the opportunity to be a player in the state's electricity market. Within a decade of completion, the Pacific Northwest-Pacific Southwest Intertie was straining to meet demand, causing both the public and private sectors to cry out for more transmission lines. By the mid-1980s, Congress debated allocating funding to complete the COTP. Congressional passage of COTP legislation in the summer of 1984 provided Western's Sacramento office with three things previously in short supply —people, material and budget.

On his arrival in 1980, Coleman counted "35 civil servants in the Sacramento office and 30 or 40 under contract." A year later, that total crept to 100. As construction of the COTP ran at top speed in 1992, there were 200 workers in the Sacramento office—an even split between full-time Federal employees and contractors. Those few employees completed the COTP and other jobs, but Coleman regretted that he stretched himself and his staff too thin during the late 1980s and early 1990s. "Sierra Nevada had 17 different projects going on at once," he said.³⁰

Coleman found that the most difficult element of his job involved politics. "It was a balancing act," he recalled. "Managing people is a piece of cake, but sitting between Norm Shumway and Vic Fazio (both Northern California congressmen during the 1980s) arguing was a different matter. I can hire a good engineer, but politics was a whole different side."

In addition to accommodating high-profile politicians, Coleman's office was often seen as being in competition with the private industry giants on the road to completing the COTP. This required a readjustment in tactics, according to Coleman: "Western had to act more like a private utility than a Federal agency in California when representing the customers against the likes of PG&E and Southern California Edison. Because we had to think like a competitor of the IOUs, Western, in the end, made a significant contribution to California's growth."³¹

Money Changes Everything

Hydroelectricity represents a partnership of nature's mood and man's logic. Insert money into the equation and smooth waters turn troubled. During the 1980s, weather and an old accounting error forced Western's Sacramento Area Office to implement the biggest rate increases in the agency's history. In 1983, Western instituted a 300-percent rate increase—the largest in its history—to recover a \$250 million deficit left over from the Reclamation era. A Western analysis revealed that the Federal government undercharged customers from 1972 to 1982 compared to the rising costs of power purchased from the Northwest. Before 1982, composite CVP power sales rates totaled 1 cent per kilowatt-hour. To lessen the impact of the increase, Western stair-stepped the rate over a four-year period in increments from 10 to 40 mills. No customer group seriously protested the increase, and Western retired the deficit in April 1988.³²

Another big-dollar transaction came in 1987 when Coleman signed a 25-year, \$1 billion contract with Portland General Electric for the purchase of power. The deal remains the largest



Western Administrator Bill Clagett turns earth at the groundbreaking for the California-Oregon Transmission Project in October 1990.

transaction in Western's history. Starting in 1990, the Western-Portland General Electric contract called for 65 MW of established power deliveries with firm transmission to the California-Oregon border, and energy shaping and storage at no additional cost.³³

Improving on Nature

In 1992, Congress authorized the Central Valley Improvement Act. The legislation set aside money to restore fish and wildlife damaged by the construction and operation of the Central Valley Project over the previous six decades. Western's Sacramento Office spent the mid-1990s immersed in environmental research, taking part in three major environmental impact statements dealing with various aspects of the CVP. In addition to serving as a cooperating agency for Interior's programmatic environmental impact statement on the CVPIA, Western conducted its own EIS to examine the environmental and socioeconomic impacts of a new marketing plan for CVP power after 2004.

At the same time, Western contributed to a separate EIS examining fish restoration projects on the Trinity River in the Central Valley. Water from the Trinity is diverted into the northern portion of the CVP. The information gathered by Western eventually made its way into the Secretary of the Interior's decision regarding instream flows and Trinity River Division operating criteria.³⁴

Stranded on the Electron Highway

In 1996, the leaders of California's private power industry promised a new day would soon illuminate the state's power landscape. In less than five years, their vision turned sour.

Born of promises of choice and cheaper power, the California Independent System Operator oversaw one of the nation's first attempts at deregulation. The reality left consumers dazed and disturbed by bills up to nine times higher than the previous year's.³⁵

The CAISO's creation resulted from legislation passed by the State Legislature and landmark decisions by the California Public Utilities Commission to introduce competition. On the day it opened for business in March 1998, CAISO's directors hailed the moment as "opening the tollgates of the electron highway." The investor-owned utilities told residential users that deregulation would deliver to customers a 10-percent rate cut, averaging a \$5 savings every month. IOU retail consumers could buy energy from independent suppliers.

Drawn into the deregulation drama, Sierra Nevada staff and Western's California customers participated in numerous statewide restructuring debates. When CAISO opened the state's power grid to competition in March 1998, the new organization controlled 75 percent of the electricity sold in the state. Western formalized its relationship with the new grid operator in town in June of that year when CAISO granted scheduling coordinator certification to the Sierra Nevada Regional Office. This certification gave the Regional Office a role to perform between the CAISO and customers who wanted Western to schedule power on their behalf. In addition, Sierra Nevada Regional Manager Jerry Toenyas served on the ISO's board during the long, hot summer of 2000, when prices skyrocketed and the new organization was faced with setting price caps.³⁶

If the summer brought high prices, the fall and winter brought even worse woes. Low hydroelectric resources in the Pacific Northwest and unseasonably warm weather in California,

combined with seasonal powerplant outages for maintenance, led to nearly daily pleas to residents to curb their energy use. Western rode to the state's rescue. On Sept. 21, 2000, California ISO President Terry Winter sent a letter to Western's Administrator thanking him for his help: "We would particularly like to thank the Western Area Power Administration and the Bonneville Power Administration, whose timely delivery of emergency power on two different occasions has helped the California ISO avoid initiating rotating outages in its control area."³⁹

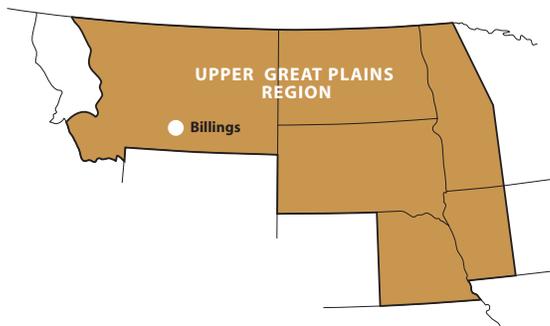
No one knows how rolling blackouts, through-the-roof prices and subsequent customer reaction will determine Sierra Nevada's place in the evolving California market. If the California power market has come to symbolize unpredictability and displays a "market first" mentality, in the nation's middle lives a contrast based on upholding the traditions of cooperation and reliability.

Upper Great Plains Region – Billings, Montana

Between symmetrical vistas of sky and soil flows the murky Missouri River. Once the wildest river in the West, the rolling Missouri became an obedient stream when tamed by seven Federal dams.

The dams did more than subdue the Missouri; their presence advanced the lives of an entire region of people. For those who were there "The Day the Lights Went On," that moment ranks with births, deaths and weddings as a defining milestone in their lives. This appreciation of the wonder of electricity and the concepts of Federal preference guided the attitudes of many of Western's first-generation senior managers who grew up, or spent part of their careers, in the Upper Great Plains.

Based in Billings, Mont., Western's Upper Great Plains Office markets Federal hydropower to an area of 378,000 square miles, easily the largest of the agency's four regional offices. UGP transmits power across 7,750 miles of high-voltage transmission lines and through nearly 100 sub-



stations to reach almost 300 preference customers. Western sells about 12 billion kWh of firm power generated from the powerplants of the Pick-Sloan's Eastern Division, which serves customers in western Iowa, western Minnesota, Montana east of the Continental Divide, North and South Dakota and the eastern two-thirds of Nebraska.

Staff at an Operations Office and Dispatch Center in Watertown, S.D., support the Billings office. Watertown staff manages power deliveries around the clock and ensures system reliability. Three additional maintenance offices (located in Bismarck, N.D.; Huron, S.D., and Fort Peck, Mont.) oversee the activities of 12 line and eight substation crews who maintain the region's extensive transmission system⁴⁰



The Upper Great Plains region serves electric cooperatives and municipal utilities that serve farm communities and towns across the Upper Great Plains. (Photo by Bureau of Reclamation)

Before Pick Met Sloan

For much of the 20th century, the Upper Great Plains was largely beyond the reach of electricity development. Transmission was first introduced to the region on May 1, 1919. On the North Platte River, Reclamation completed its first powerplant on the project of the same name at Lingle, in eastern Wyoming. The Federal government placed local demand on hold, as the first priority was to run electric draglines powered by two 300-kW generators to burrow out a canal system. By the end of 1920, Reclamation made its first sale of power in the Great Plains to the town of Torrington, Wyo. Within the year, the local system expanded to the east, as Federal crews ran a 33-kV line to connect the towns of Morrill and Mitchell, Neb.⁴¹

Over the next 15 years, Reclamation built Shoshone, Riverton and Kendrick plants in Wyoming and built dams, bored tunnels and dug canals from the Rockies to the farmlands of northern Colorado as part of the Colorado-Big Thompson Project. The government, however, proceeded with caution when it came to tackling the Missouri. From the 1920s to mid-1930s, lack of interest in Washington and interagency competition over how to control the Missouri and its tributaries postponed large-scale Federal development of the river. It took New Deal dollars to pave the way toward controlling the wild Missouri when President Franklin Roosevelt signed the legislation to build the Fort Peck Dam in eastern Montana in 1935. As with other Reclamation projects, the first power from Fort Peck went toward running construction equipment to complete the dam.⁴² The massive construction project achieved fame when *Life* magazine featured a photo of the dam on the cover of its first issue.⁴³



Fort Peck Dam straddles the Missouri in eastern Montana.

As massive as Fort Peck is, its completion was only a prelude. Both Reclamation and the U.S. Army Corps of Engineers submitted to Congress elaborate plans to harness the rest of the Missouri River. It would be the first, and perhaps the most important, occasion when two parties that did not normally agree came together for the good of the Missouri River and its users. Both presentations detailed post-construction uses of the river, including flood control, irrigation, navigation, municipal and industrial water and power generation.

Soon after Reclamation and the Corps delivered their separate proposals to the appropriate congressional committees, the documents assumed the names of their authors. The Corps plan adopted the name of Major General Lewis A. Pick, and Reclamation's plan became identified with the assistant director of Reclamation's Billings office, William Glenn Sloan. Congress selected the best of both proposals for the final authorizing legislation, and in the process, immortalized both men up and down the Missouri. In 1970, Congress honored the authors of the Missouri plan by renaming the project the Pick-Sloan Missouri River Basin Program.

Edward Weinberg was a young lawyer from Wisconsin before coming to the Department of the Interior's solicitor office in Washington in 1944. Fifty years later, in 1994, he remembered the pluses and minuses of both the Corps' and Reclamation's plans as they made their way to the altar:

In December of 1944, the Flood Control Act was passed, and Section 9 authorizes the Pick/Sloan plan, and it does in a very short paragraph. The Army report (Pick's plan) was very sketchy and had concepts for these dams, that waters from one of the dams would be useful for irrigation in the Dakotas, but it didn't really say how.

The Sloan Plan (Reclamation) on the other hand, was a very elaborate document. It spelled out what was to be done. Unfortunately, the spelling out was better than the engineering. Because of a lack of manpower and the haste in meeting the deadlines, they hadn't a chance to do the extensive fieldwork that should have been done, but at least it focused on what ought to be done in the Upper Basin states. And in December of '44, the shotgun wedding was consummated.⁴⁴

Looking back a half-century, Weinberg still marveled that it took only a few words to make a massive project like Pick-Sloan come to life:

You couldn't possibly have an authorization like that today. We're talking about one-sixth of the area of the United States, and in a paragraph, Congress authorized—they probably didn't realize it—\$5 billion to 6 billion of projects, and this was at 1940 prices. You couldn't possibly get something like that through Congress today. The environmental impact statements alone would take years to complete. So with that authorization, they got started, and really by the seat of their pants, they had to re-engineer what they were going to do. And they made a lot of changes.⁴⁵

Under the Flood Control Act of 1944, Congress assigned the Corps main-stem responsibility on the Missouri River for flood control and navigation. Reclamation's responsibility was tributary development for irrigation, municipal and industrial water supplies. Proponents of the Act saw it as the Tennessee Valley Act of the Missouri River Basin. However, establishing a regionwide transmission system was an afterthought. The Federal government would initially have a capacity between 400 and 500 megawatts.⁴⁶

Jim Davies served in Billings for 18 years as Western's area manager—longer than any of his area or regional colleagues. Before becoming a civil servant, Davies grew up on a farm in South Dakota. He remembered the mood of anticipation in his family and among his neighbors when Reclamation delivered what the Missouri River Basin Project promised.

“The customers were deeply involved in the Pick-Sloan plan since the beginning,” Davies said. “People in North and South Dakota had the foresight for electricity and knew that affordable electricity would provide a tremendous benefit.”⁴⁷

As envisioned by Pick and Sloan, and executed by the Corps and Reclamation, Canyon Ferry Dam is the initial link of the seven-dam chain, 50 miles downstream from the headwaters of the Missouri in western Montana. The Reclamation-built Canyon Ferry plant generates 60 MW of power. Next downstream is the four-mile-wide, 250-foot high embankment at Fort Peck, Mont. This first dam built on the mainstem of the Missouri remains the largest earth-filled hydroelectric dam in the world. The storage reservoir, Fort Peck Lake, is 135 miles long with more than 1,500 miles of shoreline. The powerplant has a generating capacity of 218 MW.

The next facility downstream is Garrison Dam at Riverdale, N.D. Five turbine generators at Garrison's powerplant produce 546 MW of power. Another 120 miles downstream is Oahe Dam, just outside of Pierre, S.D. Oahe is a massive structure, more than 9,000 feet long and 200 feet high. The powerplant features seven generating units producing 786 MW. Behind the dam, a man-made lake 230 miles long holds enough water to cover the state of Iowa to a depth of eight inches. From Oahe, 39 miles down the Missouri, Big Bend Dam at Fort Thompson, S.D., stands as the

last of the mainstem projects completed under the Pick-Sloan program in 1964. Big Bend contributes 538 MW of hydropower. The next stop is 40 miles south of the Nebraska border at Fort Randall Dam, with a powerplant that features eight turbine generators producing 538 MW. The last mainstem facility is Gavin's Point, at Yankton, S.D., 40 miles southeast of Fort Randall Dam. Its three generators produce 387 MW of power.⁴⁸

In addition to the seven multipurpose dams on the mainstem of the Missouri, Pick-Sloan—Eastern Division incorporates four generating units at Yellowtail Dam on the Bighorn River in south central Montana. These units contribute a total of 288 MW—equally divided between the Eastern and Western divisions.⁴⁹



The Miles City Converter Station was the first Western facility to connect the eastern and western power grids.

Like the ripples from a stone dropped in the muddy Missouri, the scope of Pick-Sloan expanded after the completion of the Garrison and Fort Randall powerplants in the early 1950s. Unfortunately, the promise of Federal power could only travel so far. Lloyd Greiner got his start in Reclamation's Billings Office in the early 1960s and remembered the constraints placed on the growth of Federal transmission: "Interior started building the transmission system stretching out into the marketing areas. The investor-owned utilities were successful in getting through Congress a law stopping the Bureau of Reclamation from building east of a certain line in Iowa and Minnesota. They could build up to it, but not beyond it."⁵⁰

Western upgraded the Pick-Sloan transmission system over the years. Completed in 1983 and 1985 respectively, the Miles City and Virginia Smith converter stations use direct current to connect power grids across the nation's transmission divide. Besides those important ties, Western's Billings office also directed the construction of a number of transmission projects during the late 1970s and early 1980s. These

included the 177-mile Watertown, S.D., to Sioux City, Iowa, line. Construction projects continued throughout the decade with the completion of the Jamestown-Grand Forks line segment in North Dakota and the Conrad-Shelby line in Montana.⁵¹

Besides irrigation, the Missouri River Basin Program created an economic source for hydropower in the Upper Great Plains. To deliver power reliably, however, Western and its customers needed to partner to upgrade the transmission system for their mutual benefit.

The Joint Transmission System

The Joint Transmission System represents the longest-lasting bond between Federal transmission agencies and power customers in the Upper Great Plains. Creation of the JTS came in the afterglow of Pick-Sloan in the late 1950s, when the Federal government made it known that there might not be enough power to go around the basin. In 1958, President Eisenhower's Secretary of the Interior, Fred Seaton, warned preference customers in the Eastern Division of the looming limits to the hydropower resource. Reclamation management followed by encouraging customers to develop alternative supplies to meet their load growth.⁵²

Similar to co-op and G&T formation, the customers provided the dynamic to resolve the situation. On Jan. 31, 1963, 94 consumer-owned utilities met in the Orpheum Theater in Sioux Falls to form the Missouri Basin Power Systems Group. MBSG members pledged to pool resources, develop and build additions to the existing transmission system.⁵³ Ed Speare, Western's former director of power marketing in Billings, noted: "Duplication of facilities is one of the nastiest expressions in the power business. In the past, facilities have been duplicated because power entities refused to sit down and cooperate in joint planning."⁵⁴

By the late 1990s, the JTS comprised nearly 9,500 miles of transmission lines, 106 substations and a control and monitoring system. Under this model of cooperation, Western and other organizations, including Basin Electric Power Cooperative, Missouri Basin Power Agency and Heartland Public Power District, shared planning, operation and the cost of transmission lines and facilities. Pooling resources kept rates low for customers who needed the power most—the residents of the largely rural Upper Great Plains. The JTS has evolved into the Integrated System and so has the organization that brought it into the world. MBSG merged with the Mid-West Electric Consumers Association in 1999.⁵⁵

To accommodate changes in the marketplace, Western proposed to revise the transmission agreements with its JTS partners. When the negotiations were completed, the agency joined its transmission facilities with those of Basin Electric of Bismarck, N.D., and South Dakota's Heartland Consumers Public Power District to form a regional Integrated System. This IS partnership allows Upper Great Plains to transmit power across all three organizations lines using a single integrated system rate. The IS was developed in response to FERC's open-access transmission order No. 888 and 889, as certain billing methods in the JTS contracts made it difficult to develop a tariff consistent with FERC's orders. Western posts notices of available IS capacity on an Internet-based Open Access Same-Time Information System. Third-party users pay the same transmission charges as do the three system owners. The cost to use the IS in 2001 was about \$3 per kWmonth.⁵⁶

New Customers, New Needs

Four percent of anything is not a lot. However, that number promised to pay dividends to new Western customers down the road. That 4 percent meant Western could offer firm electric service contracts to 11 new utility customers and reserve contracts to 25 Native American tribes.

In 1999, UGP made the first of about 20 20-year commitments to provide about 60 MW of power to tribes across the Northern Great Plains. Western rate specialists estimated the allocation contracts would deliver \$100 million in financial benefits to the tribes. Before accepting applications to market power from the post-2000 resource pool, Western delivered Federal power to eight of 100 Federally-identified tribes in the 15-state service area. A year into the process, Western signed power contracts with twice that many tribes. According to Robert Harris, UGP's Power Marketing manager at the time, making the Federal hydropower allocations available would "assist tribes in creating sustainable economies and develop cultural well being and sovereignty on tribal lands."⁵⁷

Master Operating Manual

By the close of the 1990s, the relationships among the different interest groups using the Missouri became strained. As the manager of Missouri River resources, the Army Corps of Engineers led a public process to determine future river operations. The Corps would codify the

results of this process in a document known as the Master Operating Manual. Through public forums in 1998 and 1999, the Corps recognized and tried to placate the river's many users. Tensions grew among environmentalists, recreational users and commercial interests that carried cargo on the river. By 2000, the possibility of litigation threatened to stall the entire process. The Master Manual process signaled the beginning of a new, troubled era for Federal hydropower in the Missouri Basin that threatened to shatter the region's reputation for cooperation. By the summer of 2002, with drought conditions blanketing the west, and Missouri River operations pulled between protecting both upstream and downstream resources, Corps officials were also faced with a series of lawsuits from several basin states challenging how the Corps was managing reservoir levels. Corps officials had planned to publish a final EIS and a proposed decision on future river operations in May 2002, but that plan is now on hold.

Meanwhile, Western's Watertown dispatchers continue to schedule power to meet the needs of Western's Upper Great Plains customers, buying and selling as needed to supplement the hydroelectricity generated by the powerplants on the Mighty Missouri.

The Billings Crash

In addition to converter stations, marketing contracts and river operation issues, Billings is also associated with the most tragic moment in Western's history. On Dec. 18, 1992, a Western-owned Cessna Citation airplane carrying six employees and two pilots crashed 1.5 miles short of the city's airport, killing all aboard. According to an internal Western study, and the subsequent findings of the National Transportation Safety Board, the pilot lost control of the Citation due to wake turbulence while flying too close behind a Boeing 757. The plane dove at a 70-degree angle into a warehouse before folding in half on impact and skidding through a school warehouse. The force of the crash set off a fireball that burned for the next two days.⁵⁸

Victims included Western employees Gary Miller, Dale Corey, Richard Schirk, Magdalena "Monday" Tafoya, and Robert Nordmeier; Tracy Erger, an employee of Source One Management, Inc., a Western contractor; and pilots Curt Schwartz and Dan Arnold. Those five Western employees represented nearly a tenth of Western's total work force in Billings. Almost a decade later, Jim Davies' impressions of that time centered around how his staff dealt with the daily office routine despite their grief in the days after the accident: "Everybody stepped up and took on additional duties after the crash. There wasn't any unraveling among staff."⁵⁹ Norm Ellertson, UGP's assistant manager area manager for management services at the time, said, "This whole thing is filled with hundreds and hundreds of little stories (about the way) people stepped forward to help. It was truly a group effort. The Federal community, our customers and the rest of Western have each had such an outpouring of support that it's been overwhelming."⁶⁰



Desert Southwest Regional Office –Phoenix, Arizona

Boulder City, Nev., is an unassuming little community in the middle of the desert. While Hoover Dam was being built 70 years ago, Boulder City was the closest thing the Federal government had to a "company town." In contrast, the city of Phoenix, driven by corporate and civic urges to build and expand, has become a bustling metropolitan area. Over the past quarter century, both places served as home for Western's Desert Southwest headquarters.

Born in Boulder City

Boulder City is home to one of the 20th century's triumphs of engineering, Hoover Dam. Twenty-five miles from Las Vegas, Nev., Boulder Dam, later renamed Hoover Dam, represented the Federal government's initial development of the Colorado River. The Boulder Canyon Project Act authorized construction of a dam and powerplant across the Colorado River in 1928. Hoover's powerplant generated its first commercial electricity in 1936 and now features 19 generating units with an installed capacity of more than 2 million kW. Since 1936, Hoover has served the annual electrical needs of nearly 8 million people in southern California, southern Nevada and Arizona. Without Hoover, Las Vegas loses its sparkle and Los Angeles would shut down early every night.⁶¹

Hoover is the main performer on the lower Colorado, but transmission along the river features a strong supporting cast. Parker and Davis dams are 155 and 67 miles, respectively, downstream of Hoover. Reclamation consolidated the two dams into the Parker-Davis Project in 1954. The Davis powerplant capacity is 236 MW while Parker generates less than a quarter of that capacity at 54 MW. The Parker-Davis transmission system includes just under 1,600 miles of high-voltage lines and 34 substations. Parker-Davis provides firm electric service to 24 municipalities, cooperatives, Federal and state agencies, irrigation districts and Native American tribes in central and southern Arizona, southern Nevada and southern California.⁶²

The other large-scale Reclamation project in the region is the Central Arizona Project. Authorized in 1968, the project's primary function is to deliver water from the Colorado River to Phoenix and Tucson. The 1968 authorization allowed Federal participation in the Navajo Generating Station near Page, Ariz., as a source of power for CAP water pumps. Western's Desert Southwest Office markets surplus Navajo power on behalf of Reclamation's Central Arizona Project. Completed in 1976, the station has three coal-fired steam generating units for a combined capacity of 2.25 million kW. The Federal share of 24.3 percent, or 546,750 kW, powers the pumps that propel Colorado River water through CAP canals. Through an arrangement with the Salt River Project, Western markets about 400 MW of Navajo power as surplus, with 760 kWh of energy available annually with each kW of capacity.

Under the regional umbrella, Western delivers energy from these three projects through 2,300 miles of transmission lines and operates 39 substations.⁶³

Down the Highway

There are no office towers or monumental Federal buildings in Boulder City. In keeping with this spirit, eight people working out of a local strip mall made up the Boulder City Area Office staff in 1978. Robert Olson, former regional supervisor of power in Reclamation's Boulder City office, led this group as area manager. Life in Boulder City was good, but it was not the center of transmission in the Lower Colorado River Basin. On Jan. 9, 1990, Western proposed consolidating the



The powerplant at Hoover Dam provides energy to customers in California, Nevada and Arizona. Western's staff in Phoenix serves the Desert Southwest Region.

Boulder City Area Office with the district office in Phoenix to reduce costs. Western spent the next two years relocating Boulder City operations. Area manager from 1983 to 1994, Thomas Hine, commented that since completing the move in January 1992, Western saved more than \$2.5 million annually.⁶⁴ The change of addresses culminated when the Phoenix Area Office began operations in a new facility in fall 1993. Besides the regional office in Phoenix, Desert Southwest Region has five duty locations: Coolidge, Flagstaff, Page and Yuma, Ariz., and the old home at Boulder City, Nev.⁶⁵

For 25 years, the Desert Southwest story is notable for the massive amount of electricity transmitted across the region to customers without any major incident. That is not the case with the Colorado River's upper basin. Based in Salt Lake City, Western's area office participated in a series of contentious struggles that cut to the very meaning of balancing competing interests and man's role in altering the river's ecosystem.

Colorado River Storage Project Management Center—Salt Lake City

Each area/regional office has had its share of confrontations with the world outside Western. However, the Salt Lake Area Office faced more than its share. Although no longer a regional office, its role in managing the electricity produced by dams on the Colorado River lives on.

Reorganized in 1995, the Colorado River Storage Project Management Center began as the Salt Lake City Area Office in 1978. The Westernwide change process known as Transformation turned the Salt Lake Area Office into the CRSP Management Center. This move also redistributed construction, system operations and transmission maintenance activities to the Desert Southwest and the Rocky Mountain regional offices.

Power generated at CRSP plants—Glen Canyon, Flaming Gorge, Navajo and the three Wayne N. Aspinall units Crystal, Morrow Point and Blue Mesa—and from the Collbran and Rio Grande projects were combined for marketing purposes into the Salt Lake City Area Integrated Projects in October 1987. Besides the Salt Lake City Area Integrated Projects, Western staff based in Salt Lake City market power from the Provo River Project and the International Boundary and Water Commission's Falcon-Amistad Project in Texas. These resources total nearly 1,970 MW of installed generating capacity, enough energy to power 1.9 million homes.⁶⁶

The Colorado River runs 1,360 miles from the jagged peaks of Rocky Mountain National Park in northern Colorado to the Gulf of California in Mexico. Federal development of the river is a tale of two basins. In 1922, the Colorado River Compact divided the river at Lee's Ferry, just south of the Utah-Arizona border. The agreement guaranteed the lower-basin states of California, Nevada and Arizona 7.5 million acre-feet of water annually. To ensure regulation and development of the river, in 1930, President Herbert Hoover signed the Federal appropriation to begin construction of Boulder Dam. The facility was later renamed in his honor.

For most of the 20th century, development in the upper basin was almost nonexistent. Decades of planning by Reclamation eventually culminated in a proposal to authorize construction of the Colorado River Storage Project. President Dwight Eisenhower supported the project in his 1955 State of the Union address, and Congress authorized it the following year. This project marked the end of an era.

Before the late 1950s, irrigation construction had the support of most citizens and legislators in the West. With CRSP, the first stirrings of the environmental movement put Reclamation employees on the defensive as the agency attempted to build dams and powerplants in the face of mounting environmental and political dissatisfaction. On another front, Leroy Michael, former associate general manager of the Salt River Project in Phoenix, called the construction of CRSP during the 1960s “the last major battle between the investor-owned utilities and public power in the southwestern United States.”⁶⁷

Opponents of the project believed that “the power will never be sold” and the costs to produce it would be much higher than burning coal or oil. The CRSP proposal included a series of big dams and reservoirs on the upper Colorado and its major tributaries. The planned project would store more than 33 million acre-feet of water and produce more than 1.4 million kilowatts of electricity.

Beginning commercial operation in 1964, the project’s main facility, Glen Canyon Dam and powerplant, sits just south of the Utah-Arizona border. The massive Glen Canyon generates nearly 8 percent of Western’s net generation and nearly 80 percent of all Federal hydropower produced in the upper Colorado River basin. Despite charging cost-based rates, CRSP has generated \$3.2 billion in revenues.⁶⁸

Other major features in CRSP include Flaming Gorge Dam and Powerplant on the Green River in northeastern Utah, Navajo Dam on the San Juan River at the Colorado-New Mexico border and three-dam, Aspinall powerplant combination on the Gunnison River, east of Montrose, Colo.—Blue Mesa, Morrow Point and Crystal. CRSP transmits annual generation of 7 billion kWh to customers in six states across more than 2,400 miles of high-voltage transmission lines.⁶⁹ No Federal transmission lines were built in Utah or New Mexico due to assurances from investor-owned utilities that they would provide transmission service.



Glen Canyon Dam creates Lake Powell on the Utah-Arizona border.

For the Common Good

The work of Al Gabiola illustrates Western’s early commitment to think ahead and reach out to groups beyond the walls of the area office. Soon after becoming Western’s first Salt Lake City area manager in 1978, Gabiola organized a Utah-Western Colorado transmission-planning group. Mainly comprised of investor-owned and public power utility systems, the planning group determined long-range requirements for additions to the bulk power transmission system. Further review and two subsequent reports found there was a pressing need for major transmission additions in western Colorado.

Armed with the estimates and documentation, Gabiola contacted one of the leading generation and transmission cooperatives in the area, the Colorado-Ute Electric Association, to explore the possibility of jointly building a 300-mile, 345-kV transmission system from Rifle, Colo., to the Four Corners region in New Mexico. In November 1980, Western and Colorado-Ute signed a joint agreement to build, operate and maintain the system, and the line was completed in late 1983.⁷⁰



Concerns about Glen Canyon Dam's environmental effects on the Grand Canyon ecosystem led to changes in the way the dam is operated.

Succeeding Gabiola, Lloyd Greiner served the longest of any Salt Lake City area manager. During his tenure from 1985 to 1994, he faced technical problems like loopflow and environmental negotiations on conflicting concerns over control of the Colorado River. Since the 1960s, Glen Canyon has been Public Enemy No.1 among environmentalists fearing the effects of releases from the dam on the Grand Canyon ecosystem. Greiner recalled this tension between Federal representatives and environmentalists as the most unsatisfying aspect of his time in Salt Lake City. One adventure down the river particularly sticks in his memory: "One trip I'll never forget was one actually sponsored by the environmentalists. They had invited media, and I was the only power representative. I got my backside chewed more than once on that trip. There was a reporter from *U.S. News and World Report*. After the first or

second day down the river he came to me and said, 'OK, now that you see the problems you're causing, what are you going to do about it?'"⁷¹

As always, attempting to please everybody was a losing battle. The complaints of an unlikely group caused the environmental issue to snowball during 1987-88:

*Seventeen miles downstream from Glen Canyon Dam is Lees Ferry. Lees Ferry is the first spot where you can put in, so Lees Ferry back to the dam is where the good fishing is. We would go into Sunday operations where we would reduce flows and generation and buy thermal power to meet load. We stored water to use during the week. Reducing flows caused problems for the fishermen, because they were blocked from going upstream on the weekends. They wanted a minimum flow of 5,000 cfs (cubic feet per second). When we took on the fishermen, they got the rafters on their side, and the rafters got the hard-core environmentalists, and at that point the issue really got away from us.*⁷²

Soon after arriving from Western's headquarters to take the Salt Lake City area manager's job, Greiner stepped into the middle of a dispute regarding a contract with Utah Power & Light Company. Utah Power & Light complained about an omission in the original 1963 contract regarding CRSP's entitlement to the transmission. Greiner spent most of his time trying to bring UP&L into the fold: "One of the things I did in the '80s was to negotiate that whole contract with Utah Power & Light. While the contract was pretty clear on a number of issues, it did not specify how much capacity the Federal government would have built, or the rights we would have in the Utah system."⁷³

Those negotiations and "related problems seriously affected daily operations and strained relations among Western, the Utah preference customers and UP&L," Greiner added. UP&L went before FERC over the original fixed-price contract claiming the terms were so "onerous" it would go bankrupt. In 1985, FERC ruled against UP&L. Greiner believed that worked out well for Western's customers. "With that in my hip pocket, it was pretty easy for me to negotiate some good terms."⁷⁴

Once Western and UP&L returned to the negotiation table, Greiner proposed a three-tiered approach to wheel capacity and pricing that protected CRSP's interests, satisfied the utility and offered provisions to keep those terms in future contracts.

“Negotiations were extremely intense,” he noted. “Besides having millions of dollars at stake, it was a classic confrontation between public power and investor-owned utilities. I would compare the event to two boxers standing toe-to-toe and pummeling each other, then taking breaks to return to ringside for advice on how to protect themselves while instilling more punishment on their opponent.”⁷⁵

A Major Legal Challenge

Both the Salt Lake City Area Office and Headquarters spent the late 1980s engaged in a pincer attack from Utah Power & Light and a host of conservation groups.⁷⁵

The courtroom drama began on Oct. 31, 1986, when UP&L and 156 Utah cities and towns filed *Salt Lake City, et. al. v. Western Area Power Administration, et. al.* The suit was an all-out assault; UP&L's complaint challenged the constitutionality of the preference clause, claimed Western operated outside of the law when purchasing nonpreference hydro or thermal power and said Western was in violation of environmental laws and trampled states rights in Wyoming and Utah over marketing power. Rooted in UP&L's strategy to overturn the preference clause was its desire to obtain low-cost power from Federal hydro dams for cities in its service territory. According to Western's then-General Counsel, Michael HacsKaylo, the UP&L lawsuit represented “a major legal challenge to the manner in which Western conducts its programs.”⁷⁶

On Oct. 29, 1987, the legal teams for UP&L and Western presented five hours of arguments before Judge J. Thomas Greene in United States District Court in Salt Lake City. Greene held off on a decision for six months, until April 14, 1988, when he issued an 86-page decision favoring Western's arguments. The judge ruled that the 1939 Reclamation Project Act was “inconclusive” on the question of municipalities that didn't own distribution systems qualifying for preference power from the Federal government, and there was “no clearly discernible congressional intent” regarding utility responsibility.⁷⁷

Western won the major points of the suit and the 10th Circuit Court upheld that ruling on appeal,⁷⁸ but one issue remained: Did Western have to file an Environmental Impact Statement before it could sign the post-1989 power contracts to market power from the Salt Lake City Area Integrated Projects?

In mid-September 1989, Western announced it would prepare an EIS on the Post-1989 Marketing Criteria to facilitate better public understanding of the power marketing program and its role in Glen Canyon Dam's operations.⁷⁹

The Montrose Legacy

For three decades, the small town of Montrose, Colo., has played a large role in keeping the West's power system running.

In 1960, Reclamation established a Power Operations Center for CRSP in Montrose. Western took over the operations center after the break with Reclamation, and Leo DeGuire became the

agency's first Montrose district manager. In 1982, DeGuire recalled, "Some people might see Montrose as a little town isolated from the rest of the world, but we know differently. When you think of the power operations that are controlled from here, it's awesome."⁸⁰

However, operations in Montrose would not see the end of the 1990s. July 9, 1993, was the high note for Western operations in Montrose as the town celebrated the opening of Western's Craft Training Center. Resulting from the joint efforts of Western, Tri-State G&T and the International Brotherhood of Electrical Workers, the training facility offered classroom instruction and hands-on apprentice training for 500 linemen, electricians, metering relay mechanics and communications technicians employed by Western, Tri-State and Tri-State member cooperatives.⁸¹

The warmth of civic good will toward Western on that July afternoon turned frosty two summers later. In 1995, word got out that Western's Transformation plans did not include a large presence in Montrose. City administration and local business became openly emotional over Western's proposal to close the office and split its work between Western's regional offices in Phoenix and Loveland, leaving about 40 of the existing 150 jobs in Montrose. The town feared the economic impact of the agency's departure, as Western jobs paid \$45,000 to \$60,000 a year, well above the county's average per-household income of \$22,610. At a public hearing involving Western and the City Council, one Montrose City councilwoman pointedly questioned the agency's leadership: "We feel our community is being sacrificed for the benefit of Tri-State." Western Administrator J. M. Shafer shot back, "You're questioning our integrity. Why would I set up Western for private industry?"⁸² After the meeting, Ken Maxey, then Salt Lake City area manager with oversight for the Montrose office, said that Western had decided to remain in the Rockies for the foreseeable future, but consolidation or abandonment of Montrose was the ultimate reality.⁸³

On April Fool's Day 1998, when, after three years of detailed planning, Western's control centers in Loveland and Phoenix took over the area previously controlled out of Montrose. Since then, the Rocky Mountain Regional Office in Loveland operates the CRSP transmission system north of Shiprock, N.M., and Phoenix's Desert Southwest operators control the CRSP transmission system south of Shiprock. The consolidation is notable for both its technical difficulty and its smooth completion, accomplished without disrupting the transmission system.

But Western had another role for its Montrose office to play. Following FERC Orders No. 888 and 889 issued in 1996, Western separated the work of those who operate the transmission system and maintain its reliability from those who market power. In 1998, the agency opened the CRSP Resource Scheduling Office in Montrose to market energy. The merchant office runs 24 hours a day to help Western meet its contract obligations by purchasing firming energy when needed and selling surplus hydropower when it's available. Montrose-based marketing staff also provide merchant services for the Rocky Mountain and Desert Southwest regions.⁸⁴



Established in 1960 by Reclamation, the Montrose Operations Center ceased operation on April 1, 1998.

Our Middle Name

As more than one PMA employee has observed, “marketing is our middle name.” Western’s success is closely tied to its ability to market power fairly and effectively. Without controlling costs, which directly affect rates charged for Western’s products and services, customers may look elsewhere for low-cost energy.

The main purpose of the West’s major water projects was never energy production.⁸⁵ By law, power generation plays a secondary role to irrigation and flood control. Although secondary in priority, power sales are the major source of dollars for repaying Federal investment in these projects. At Western’s silver anniversary, public interest is increasingly served by environmentally beneficial changes in managing Federal resources. Western’s marketing efforts are flexible in responding to the changing balance among project purposes.

Western markets power through public processes. Although the primary participants are current and potential new customers, public-interest and environmental groups often provide input as Western staff develops power marketing policy. Issues raised range from the technical to the political, and from local to national in implications. In addition to open public processes, marketing plans are subject to oversight by DOE and Congress.

Customers and the public are interested in Western’s marketing plans because of the price of its power. Western’s rates are low for several reasons. Western’s firm power rates are cost-based by law.⁸⁶ Although Western repays, with interest, the U.S. Treasury for power and transmission investment, the Federal power program is non-profit so Western’s rate computations contain no return to its shareholders—the American taxpayers. Western’s resources are predominately hydro-based, so the agency has no fuel cost. Western sells wholesale power, which means its rates contain no distribution costs. Since Western is not responsible for load growth, it doesn’t need to acquire additional power resources. All of these factors working together help to keep Western’s rates low.

The first 25 years of Western’s power marketing efforts have been full of challenge and contention, frustration and success. From the high plains of the Dakotas, to the Southwest desert, to the farms of California’s Central Valley, power marketing has been an important chapter in the story of Western.

Litigation and Legislation—Hoover Marketing in the 1980s

The most famous dam from which Western markets power sits in the Colorado River’s Boulder Canyon between Arizona and Nevada. Hoover Dam is the highest concrete dam in the United States, and Lake Mead is still the nation’s largest manmade reservoir. This enormous facility began with 1928 legislation approving construction of the Boulder Canyon Project.⁸⁷ Hoover Powerplant has 19 generating units and an installed capacity of 2,074 MW. Its average annual generation serves the energy needs of almost 8 million people in Arizona, California and Nevada.

With Hoover power sales contracts set to expire in 1987, Western began a formal public process to allocate power in September 1981. On Aug. 27, 1982, the State of Nevada, joined by Arizona, filed suit in Las Vegas District Court against the United States and Hoover contractors in California. Nevada sought one-third of the Hoover resource when existing contracts expired, and any power not applied for by California as a state.

To settle the controversy, Congress passed the Hoover Power Plant Act of 1984.⁸⁸ Besides quantifying the amount of power reserved for existing customers, Congress authorized the Department of the Interior to increase the capacity of Hoover Dam's existing generating equipment. Through direct customer funding of Reclamation's uprating program, Hoover's contingent capacity increased by 503 MW, and the associated firm energy was available for allocation. In November 1985, Western allocated resources available from the increased generation to Arizona, Nevada and nine municipal utilities in California.⁸⁹

The Boulder Canyon Project is unique because Congress specified how Western would market its power, down to individual allocations to each customer. It was also among the first to rely on customer funding rather than congressional appropriations to carry out capital improvements, a trend that is growing today. The Hoover Power Plant Act of 1984 also required Western's long-term firm power contractors to develop and implement energy conservation programs.⁹⁰

CRSP—the Early Days

Western's first marketing plan was the revised general power marketing criteria for the Colorado River Storage Project. Published in the Federal Register on February 9, 1978, the development process started before Western was even created by the Department of Energy Organization Act of 1977.⁹¹ The February 1978 document revised the original 1962 CRPS marketing criteria by redefining the marketing area, describing the availability of additional peaking power (due mainly to the completion of Crystal powerplant on the Gunnison River in western Colorado), establishing additional delivery points and revising delivery conditions.

Although CRSP dams and powerplants are located in the Colorado River's upper basin, the existing preference customer load couldn't initially absorb all of the CRSP hydropower. As a result, Western sold CRSP power to preference entities in the Southern Division of the marketing area (primarily Arizona). To avoid the expensive construction of high-voltage transmission, the United States and the Salt River Project entered into a generation exchange arrangement, where thermal power in northern Colorado was used to meet local preference customer load. In return, Glen Canyon generation went to the Salt River Project to meet loads in Arizona.

In a sidelight that illuminates the transitional issues surrounding Western's creation, the *Federal Register* notice containing the revised CRSP marketing criteria was signed by William S. Heffelfinger, the Director of Administration in the Washington headquarters of the newly created Department of Energy. It wasn't until February 1979, when Western announced its allocation of CRSP peaking power, that Bob McPhail signed a FRN as an official act of Western's administrator.⁹²

Upper Great Plains—one of Western's first marketing programs

In January 1979, soon after its creation, Western began a marketing effort for the Pick-Sloan's Eastern Division. The Corps of Engineers prepared new water depletion studies to help Western determine the resource available for marketing when existing contracts expired.

Western launched a broad public process to encourage the public to comment on the marketing plan. It included three informal public information forums in May 1980, followed by three formal informational meetings in June. In August 1980, Western also held public comment

forums in six different states. The process generated more than 200 comments, mostly in favor of Western's marketing proposal.

On Oct. 30, 1980, Western adopted the final post-1985 Eastern Division marketing plan.⁹³ It extended power commitments through 2000 and reserved 35 to 40 MW for allocations to new preference customers. The *Federal Register* notice describing the major elements of this marketing plan took less than two pages. This is quite a contrast to the lengthy documents prepared in future power marketing processes.

Integrated Resource Planning and Power Marketing— A Powerful Linkage

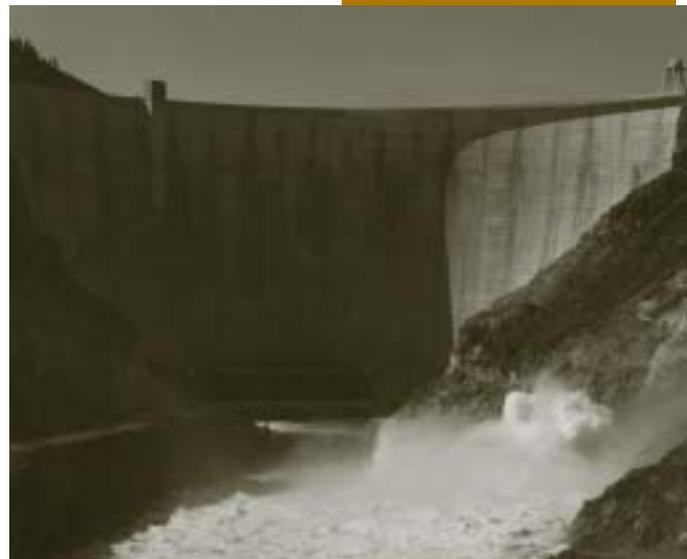
The early 1990s turned Western's attention to numerous long-term firm hydropower contracts that were set to expire between 2000 and 2004. Western also needed to update its conservation and renewable energy program, which had required customers to carry out certain demand-side management and renewable activities since November 1981.

In response to these dual needs, in April 1991, Western proposed a two-part Energy Planning and Management Program that more directly tied the allocation of Western's hydroelectric resources to long-term planning and the effective use of electric energy.⁹⁴ Western's objectives were to give customers stability in their planning efforts by extending a major portion of existing hydropower commitments, while also encouraging customers to consider cost-effective demand-side management alternatives and supply-side alternatives including renewable resources.

This proposal started a four-and-a-half-year public process that included an environmental impact statement, 53 public meetings and workshops, 14 newsletters, two congressional hearings, passage of the Energy Policy Act of 1992 (section 114 mandated customer integrated resource planning) and creation of a new part within the Code of Federal Regulations.⁹⁵

As finally adopted, the Energy Planning and Management Program has two major components: 1) an integrated resource planning provision conforming to the provisions of the Energy Policy Act, and 2) a power marketing initiative. Integrated resource planning involves customer choice from a broad range of supply-side (including renewable resources) and demand-side options. Customers develop plans to meet future energy use needs based upon cost-effectiveness and public input, while working to reduce adverse environmental impacts. Since its adoption, IRP has helped customers manage least-cost resource planning and resulted in an impressive series of annual reports to Congress documenting the commitment of public power utilities and rural electric cooperatives to renewables and energy conservation.

Under the power marketing initiative, and in response to changes in the utility industry, Western altered its power allocation policies to add flexibility to its power sales contracts and changed its marketing policies to emphasize customer choice and diminish Western's future need for appropriations to purchase power. Western's contracts now accommodate environmentally



Yellowtail Dam is part of the Pick-Sloan Missouri Basin Program.

beneficial changes in operations at large Federal dams. Native American tribes have benefited from Western power allocations that don't require tribes to form utilities. Western continues to prohibit inappropriate resale of its power and assure that consumers receive the benefits of cost-based Federal hydroelectricity.

After adopting the power marketing initiative, Western extended 96 percent of the marketable resource to existing Eastern Division and Loveland Area Projects customers. On June 25, 1999, Western concluded an evaluation of the impact of electric utility industry restructuring on its power marketing policies.⁹⁶ Simultaneously, Western announced that its Sierra Nevada Region's power resources would be marketed consistent with the power marketing initiative, extending the majority of the base hydroelectric resource to existing customers while planning to offer additional customized services upon customer request.⁹⁷ On that same day, application of the power marketing initiative to the Salt Lake City Area Integrated Projects was published in the *Federal Register*.⁹⁸

Western recently allocated significant amounts of power to new customers, including Indian tribes. Besides the 25 Native American tribes allocated Eastern Division power for deliveries beginning in 2001, in July 2000, Sierra Nevada Region allocated power to four tribes, with deliveries starting in January 2005.⁹⁹ In January 2002, Western announced that five Indian reservations, Yellowstone National Park and a mass transit district in Colorado would receive resource pool allocations from the Loveland Area Projects beginning in 2005.¹⁰⁰ In February 2002, Western announced allocations to 54 tribes from the Salt Lake City Area Integrated Projects also beginning in 2005.¹⁰¹ And in August 2002, Western announced that it proposed to apply the power marketing initiative to the Parker-Davis Project under a new marketing plan that will govern power sales beginning in 2008.¹⁰²



Under Mother Nature's Thumb

Few things in the West can divide neighbors as deeply as when the well runs dry. However, a seven-year regionwide drought from the late 1980s into the early 1990s united Western's area offices under the threat of raising customer rates and the specter of keeping the lights on.

As the reservoirs dried up and the air turned dusty in the late 1980s, no area had less experience with drought than the Upper Great Plains. The extended period of dry weather was the first since the Pick-Sloan facilities were completed in the 1960s. In the Billings Area, six years of dry weather culminated in a loss of 13.5 billion kilowatthours by 1992.

According to Jim Davies, keeping a good working relationship with the U.S. Army Corps of Engineers and Upper Great Plains customers saved Upper Missouri River Basin power customers from disaster: “The relationship we had with customers allowed us to purchase a lot of energy at reasonable prices.” In 1992, the Billings Office purchased 2.7 billion kWh of energy to supplement generation of 7.3 billion kWh. Those purchases totaled \$42 million compared to Billings’ average purchases of \$5 to \$6 million a year.¹⁰³

According to Salt Lake City-based staff, the years 1987 to 1992 were the six lowest consecutive years of inflow into Lake Powell, the largest CRSP storage reservoir. At the end of that cycle, Reclamation predicted it would take 10 years of average inflow to refill the reservoir. The southern reaches of the Colorado River were suffering by 1992. Western’s Phoenix Area Office had to buy the most energy in project history, about 118 million kWh, or \$2 million worth of purchases for both Parker and Davis customers. Of all the area offices, Loveland escaped relatively unscathed by meeting energy shortfalls through purchases, interchange and interarea transactions.¹⁰⁴

The lack of moisture in California made national headlines, and every brief cloudburst was front-page news. Miniscule snowmelt from the Sierra Nevada Mountains and decreased rainfall for seven years meant reservoirs were at record low storage. Sacramento Area Manager Dave Coleman remembered it would take more than 50 inches of rain in the Stanislaus River water basin during one year to bring the reservoir behind New Melones Dam up to its maximum level. The odds of it happening were long, as average annual rainfall in the basin totaled 23 inches.¹⁰⁵

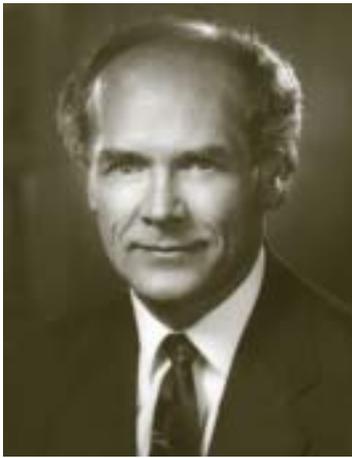
As long as the drought had lasted, the rains that fell during the winter of 1992-93 quickly washed away their memories. Davies said that system recovery on the Pick-Sloan mainstem dams was “rapid beyond belief,” taking one extremely wet year in the Missouri River Basin to get the reservoirs back to normal.¹⁰⁶

Nature’s great drought put the West to a test, but man’s patience and planning waited out the unforgiving weather. After clearing that hurdle, Western’s staff entered the mid-1990s to face an organizational challenge with continuing repercussions.

Transformation

Perception often triumphs over reality. No matter how well a Federal employee goes about his or her job, some see all civil servants as the appendages of a bloated, out-of-touch bureaucracy. Perceptions regarding the Federal government involvement in the business of marketing power and the future of the PMAs had haunted Western since its earliest years. After attempts by the Clinton Administration to legislate Western out of business, the agency spent the mid-1990s locked in self-examination. This period of the agency’s history was known as “Transformation,” and depending on where you stood, it was Western’s commitment toward becoming more “efficient and businesslike,” or the wedge that divides Western’s history into two chapters—before and after.

By the early 1990s, new business management philosophies flooded the private sector, and the trend for Federal agencies was to do more with less. Owing mainly to COTP construction, in FY 1991 Western’s construction budget peaked at \$225 million. To prevent construction program



Western's third Administrator, J. M. Shafer led the agency through the turbulent Transformation era.

costs from driving up rates, the agency had cut back to \$45 million for construction by FY 1997. Other forces, such as electricity industry deregulation, FERC's moves to increase transmission access in the bulk power market and wholesale competition that threatened to drop market prices below Western's firm-power rates placed new constraints on Western. Senior managers met with employees and customers during 1994 and 1995 to address how the organization could survive an upcoming succession of rapid changes.¹⁰⁷

Dropped into the middle of the situation was J. M. Shafer. In 1994, Bill Claggett retired from Federal service, making way for the former Assistant Area Manager at Loveland to return to Western as Administrator. Shafer left Western in 1988 for the administrator's job at Southwestern Power Administration. Before his return to Golden, DOE officials apprised Shafer of the situation he would face: "Western's construction budgets had dropped from \$120 million annually, heading toward the \$20 to \$30 million level by the mid-90s. It was pretty obvious

that things had to be cut back. Senior staffers from the Department of Energy had some frank discussions with me about staff levels before I accepted the job. It wasn't as much pressure from DOE as a realization that we had to minimize things."¹⁰⁸

First tried by the Reagan Administration in the 1980s and repeated by President Bill Clinton 10 years later, official attempts to wipe the PMAs off the map had many in the Federal power business understandably concerned. Speeches from DOE's top brass did little to sooth jittery nerves. Later that year, Assistant DOE Secretary Don Pearman told a group of customer service advocates, "the train (for realignment) has left the station, and hopefully you're aboard."¹⁰⁹

Senior management officially launched the Transformation process in winter 1995, and by that summer morale was at an all-time low. In October 1995, Western's senior management presented a "Will Be" plan outlining Western's new organization. It called for staffing 1,283 Federal positions and 265 contract positions by the end of the middle of 1998. Those numbers represented a drop from 1,916 Western Federal and contract employees as of Aug. 3, 1995, and the all-time high of 1,558 Federal and 565 contract employees in September 1992. A full-time implementation manager ensured that the agency met 1,300 specified tasks toward completing the Transformation process, specifically reducing Western's overall workforce by 24 percent. Senior management estimated that implementing Transformation would cost \$15 million, followed by \$25 million annual savings.¹¹⁰

As senior managers issued policy statements, staffers in Headquarters and across the area offices were confused and concerned. Many did not see how private industry could threaten a Federal agency's operations. Administrator J. M. Shafer interpreted the prevailing concept—"businesslike manner"—to mean customer-focused, delivering high-quality products at reasonable cost and cutting costs. Proposals included turning Western's Salt Lake City Area Office into a customer service center and possibly moving the Billings office to Sioux Falls, S.D.

Speaking before a group of Western's managers and supervisors on Oct. 23, 1995, Shafer explained: "The IOUs believe competition in the industry will solve the PMA sale issue. If we aren't competitive, if we don't push responsibility down to the lowest level and we don't empower those

people on the front lines nearest our customers, if we don't develop our people to manage programs, we'll prove them right."¹¹¹

Shafer retired as Transformation was winding down in mid-1997. Nearly a half-decade later, he recalled: "My three years as administrator were the toughest time at any job in my 37 years of Federal service."¹¹² General Counsel Michael S. Hacskaylo succeeded Shafer as Western's fourth administrator. In an Oct. 10, 1997, letter in Western's employee publication, Hacskaylo urged the people of Western to unify: "I've been a Western employee since 1981. Over the years, I've heard there are really six Westerns—the four regional offices, our Customer Service Center in Salt Lake City and the CSO. I've even heard there are more—each senior manager represents a separate Western. At times, we have certainly acted like that. I believe the problem was exacerbated by Transformation. I am convinced, there must be one and only one Western. Western can only survive and thrive if we work together."¹¹³



Michael S. Hacskaylo became Western's fourth Administrator in 1997.

Western's senior managers declared Transformation completed on June 1, 1998. Reflecting on the legacy of that period in 2000, Hacskaylo believed the process was necessary for Western's survival: "The philosophical disconnect is there—'wait a minute, we're a Federal agency, not a corporation, so what are you doing?' The answer is if we expect to survive, we have to blend the best of the Federal agencies with what a corporation does. We have to be flexible enough to deal with issues and quick enough to respond to issues in the context of the Federal government."¹¹⁴

Shafer left Western to run the Western Farmers Electric Cooperative in Oklahoma. Looking back on the tumult of Transformation, he believes that the modern Western is in tune with the times: "Western employees stuck with the plan, and it made them the right size for the tasks they have to complete."¹¹⁵

Outside considerations, such as competitive pressures, put Western into three years of internal re-evaluation. At the end of that period, the agency adopted a corporate approach toward doing business, but it lost many people along the way. Transformation made Western run leaner, but left scar tissue that the organization will have to carry for years to come.

A New Home for Headquarters

The move to new office space in Lakewood was Western's signal to the world that it had survived the Transformation era. Completed in 1999, the building contains 97,000 square feet and saves Western \$850,000 each year in rent over the previous lease on 112,047 square feet of space within four office buildings at Denver West Office Park.¹¹⁶

Acting as Western's agent for either staying put or finding a new home, the General Services Administration weighed a number of factors against remaining in Golden, Administrator Hacskaylo said: "The office park in Denver West in Golden was certainly good office space, but it was old. The buildings we were in did not meet the present life and safety codes. They were grandfathered in, so it was not unsafe to be there, but they did not meet the current code. Also, the rent was high. We knew our lease was coming up. This was (accomplished) under J.M. Shafer's leadership. I was the lucky recipient of everything working."¹¹⁷

Forces from Within and Without

Pressure can strengthen or fracture an organization made of people. In meeting a variety of regional needs, overcoming natural calamities and responding to oncoming concerns, Western survived internal and external stresses. The aftermath of the UP&L case and the reorganization and staff cutbacks of the mid-1990s captured the change in the public's mood from the New Deal era regarding the government's operation of public resources. Western survived these dire events, but they also served as a foreshadowing of what might happen if restructuring or budgetary constraints take a bite out of the power marketing administrations. ▼